



State of West Virginia  
 Department of Administration  
 Purchasing Division  
 2019 Washington Street East  
 Post Office Box 50130  
 Charleston, WV 25305-0130

# Request for Quotation

RFQ NUMBER  
 STO12008

PAGE  
 1

ADDRESS CORRESPONDENCE TO ATTENTION OF:  
 FRANK WHITTAKER  
 304-558-2316

RFQ COPY

TYPE NAME/ADDRESS HERE

VENDOR

*Compliance Services Group, LLC*  
*2520 Shades Crest Road*  
*Birmingham, AL 35216*

SHIP TO

STATE TREASURER  
 MAIN CAPITOL BUILDING  
 SUITE E-145  
 CHARLESTON, WV  
 25305 304-343-4000

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
03/29/2012				

BID OPENING DATE: 04/10/2012 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	IS		946-20		
<p>AUDITING SERVICES</p> <p>THE WEST VIRGINIA PURCHASING DIVISION, FOR THE AGENCY, THE WEST VIRGINIA STATE TREASURER'S OFFICE, IS SOLICITING BIDS FOR THE EXAMINATION OF UNCLAIMED PROPERTY HOLDERS' RECORDS PER THE ATTACHED SPECIFICATIONS.</p> <p>EXHIBIT 3</p> <p>LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE ON ..... AND EXTENDS FOR A PERIOD OF ONE (1) YEAR OR UNTIL SUCH "REASONABLE TIME" THEREAFTER AS IS NECESSARY TO OBTAIN A NEW CONTRACT OR RENEW THE ORIGINAL CONTRACT. THE "REASONABLE TIME" PERIOD SHALL NOT EXCEED TWELVE (12) MONTHS. DURING THIS "REASONABLE TIME" THE VENDOR MAY TERMINATE THIS CONTRACT FOR ANY REASON UPON GIVING THE DIRECTOR OF PURCHASING 30 DAYS WRITTEN NOTICE.</p> <p>UNLESS SPECIFIC PROVISIONS ARE STIPULATED ELSEWHERE IN THIS CONTRACT DOCUMENT BY THE STATE OF WEST VIRGINIA, ITS AGENCIES, OR POLITICAL SUBDIVISIONS, THE TERMS, CONDITIONS, AND PRICING SET FORTH HEREIN ARE FIRM FOR THE LIFE OF THE CONTRACT.</p> <p>RENEWAL: THIS CONTRACT MAY BE RENEWED UPON THE MUTUAL WRITTEN CONSENT OF THE SPENDING UNIT AND VENDOR, SUBMITTED TO THE DIRECTOR OF PURCHASING THIRTY (30)</p>						

RECEIVED  
 2012 APR 11 AM 8:00  
 WV PURCHASING DIVISION

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE: *[Signature]* TELEPHONE: 205 616 3964 DATE: 4-9-12

TITLE: Pres FEIN: 27-3160978 ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



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<p>DAYS PRIOR TO THE EXPIRATION DATE. SUCH RENEWAL SHALL BE IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE ORIGINAL CONTRACT AND SHALL BE LIMITED TO TWO (2) ONE (1) YEAR PERIODS.</p> <p>CANCELLATION: THE DIRECTOR OF PURCHASING RESERVES THE RIGHT TO CANCEL THIS CONTRACT IMMEDIATELY UPON WRITTEN NOTICE TO THE VENDOR IF THE COMMODITIES AND/OR SERVICES SUPPLIED ARE OF AN INFERIOR QUALITY OR DO NOT CONFORM TO THE SPECIFICATIONS OF THE BID AND CONTRACT HEREIN.</p> <p>OPEN MARKET CLAUSE: THE DIRECTOR OF PURCHASING MAY AUTHORIZE A SPENDING UNIT TO PURCHASE ON THE OPEN MARKET, WITHOUT THE FILING OF A REQUISITION OR COST ESTIMATE, ITEMS SPECIFIED ON THIS CONTRACT FOR IMMEDIATE DELIVERY IN EMERGENCIES DUE TO UNFORESEEN CAUSES (INCLUDING BUT NOT LIMITED TO DELAYS IN TRANSPORTATION OR AN UNANTICIPATED INCREASE IN THE VOLUME OF WORK.)</p> <p>QUANTITIES: QUANTITIES LISTED IN THE REQUISITION ARE APPROXIMATIONS ONLY, BASED ON ESTIMATES SUPPLIED BY THE STATE SPENDING UNIT. IT IS UNDERSTOOD AND AGREED THAT THE CONTRACT SHALL COVER THE QUANTITIES ACTUALLY ORDERED FOR DELIVERY DURING THE TERM OF THE CONTRACT, WHETHER MORE OR LESS THAN THE QUANTITIES SHOWN.</p> <p>BANKRUPTCY: IN THE EVENT THE VENDOR/CONTRACTOR FILES FOR BANKRUPTCY PROTECTION, THE STATE MAY DEEM THE CONTRACT NULL AND VOID, AND TERMINATE SUCH CONTRACT THE TERMS AND CONDITIONS CONTAINED IN THIS CONTRACT SHALL SUPERSEDE ANY AND ALL SUBSEQUENT TERMS AND CONDITIONS WHICH MAY APPEAR ON ANY ATTACHED PRINTED DOCUMENTS SUCH AS PRICE LISTS, ORDER FORMS, SALES AGREEMENTS OR MAINTENANCE AGREEMENTS, INCLUDING ANY</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>[Signature]</i>	TELEPHONE 205616-3964	DATE 4.9.12
TITLE <i>[Signature]</i>	FEIN 27-3160978	ADDRESS CHANGES TO BE NOTED ABOVE

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<p>ELECTRONIC MEDIUM SUCH AS CD-ROM.            REV. 01/17/2012</p> <p style="text-align: center;">NOTICE</p> <p>A SIGNED BID MUST BE SUBMITTED TO:            DEPARTMENT OF ADMINISTRATION            PURCHASING DIVISION            BUILDING 15            2019 WASHINGTON STREET, EAST            CHARLESTON, WV 25305-0130</p> <p>THE BID SHOULD CONTAIN THIS INFORMATION ON THE FACE OF THE ENVELOPE OR THE BID MAY NOT BE CONSIDERED:            SEALED BID</p> <p>BUYER: 44            RFQ. NO.: STO12008            BID OPENING DATE: 04/10/2012            BID OPENING TIME: 1:30 PM</p> <p>PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID: 205-978-1882</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS			
SIGNATURE 	TELEPHONE 205-646-3961	DATE 4-9-12	
TITLE Proc	FEIN 27-3160978	ADDRESS CHANGES TO BE NOTED ABOVE	

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				205-978-1882		
CONTACT PERSON (PLEASE PRINT CLEARLY):						
				Rebecca Adams CPA		
***** THIS IS THE END OF RFQ STO12008 ***** TOTAL: _____						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>[Signature]</i>	TELEPHONE 205 616 3964	DATE 4-9-12
TITLE PRES	FEIN 27-3160978	ADDRESS CHANGES TO BE NOTED ABOVE

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PROPOSAL TO THE WEST VIRGINIA DEPARTMENT OF STATE TREASURY



**RFQ ST012008**

Unclaimed Property Examination Services

April 9, 2012

## WVSTO RFQ Technical Proposal Form

RFQ# STO12008

Vendor Name: Compliance Services Group, LLCAddress: 2520 Shades Crest RoadCity: Birmingham State: AL ZIP: 35216Date Proposal Submitted: 4/19/2012Vendor FEIN: 27-3160978Vendor E-mail Address: RAdams@Complianceservicesgroup.comContact Person Name: Rebecca Adams Phone: 205-616-3964Addenda to the RFQ we have received and reviewed (list): No(s): STO 12008

## I. PROPOSAL SUBMISSION

- 1.1 Proposals shall be submitted in accordance with the RFQ, including, without limitation, format, submission date and time, and other submission requirements.
- 1.2 All proposals, including the five (5) courtesy (hard) copies AND one CD/DVD/USB flash drives, must be received by the RFQ Bid Opening Date and Time. Failure of the Vendor to deliver the proposal in the prescribed manner and on time will result in disqualification.



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## History of Company

In 2006, after 25 years in public accounting and industry, serving as auditor, controller and CFO, performing audits and building on her expansive knowledge of the industry, Rebecca Adams, CPA, owner and president of Compliance Services Group, LLC, joined PRA Government Services, LLC as Director of Audit. In this capacity she brought her own ideas and strengths to assist the company in maintaining and building on its 25 year history of serving local governments in the field of administering and auditing for tax compliance.

Later that year, 2006, Rebecca was directed to create and lead an Unclaimed Property division. Instrumental in her creation of audit procedures and training was her own knowledge of compliance auditing directly related to her years of experience in public accounting and industry. Additionally, she patterned some of the company procedures after information gleaned from industry expert Anthony Andreoli.

This undertaking of establishing a viable Unclaimed Property program led to Rebecca and her team receiving the first two (2) state contracts later in 2006, only four (4) months after she took a leadership role in the division. The division began lead analytics and scoring, specific audit identification and approval by states and examinations by the first four (4) members of the audit team.

Her leadership continued and her knowledge of Unclaimed Property compliance continued to grow as she involved herself in industry programs by joining professional organizations such as NAST and attending all conferences from 2006 through the current year, 2010. She has volunteered for NAUPA committees and the NAST Corporate Affiliate Board activities.

By 2007 and continuing into 2010, the Unclaimed Property division doubled in personnel and was awarded eight (8) more state contracts. Rebecca led the team as its examinations provided education to Holders and its collections granted additional monies to State programs for return to rightful owners.

The idea of becoming the preferred provider for compliance examinations serving the Government sector in Unclaimed Property germinated and in mid-2010 Rebecca Adams left her former employ and formed Compliance Services Group, LLC, to continue the work she started in 2006. She is joined by a core group of dedicated and experienced staff, each providing their own expertise and complemented by the team's years of varied experiences in public accounting, government and industry as managers, controllers and CFOs. This gives CSG a unique advantage in addressing general ledger compliance issues in the field. Additionally, Rebecca Adams and CSG are committed to provide State programs with the best possible compliance services to complement existing efforts toward Holder education and consumer protection.





### 3.2.1 CSG Summary

3.2.4.2 Compliance Services Group, LLC (CSG) was established July 28, 2010 to provide full-service outsource solutions for compliance examination services and collections, compliance program management and staff training for performing field audits. While newly formed as a company, our team has worked with the Unclaimed Property divisions of Alabama, Arkansas, Tennessee, Louisiana, Florida, West Virginia, Virginia, Maryland, Montana and Michigan. CSG principals worked in the industry for the last six years developing and directing the Unclaimed Property Compliance Audit Section for PRA Government Services, dba RDS prior to forming CSG. 3.2.4.2(a&b) CSG is currently contracted with the state unclaimed property programs of Florida, Louisiana and North Carolina and has not contracted since formation with West Virginia. As request for proposals are issued we respond to those which complement the current audits we are working on and those where we have an opportunity to add the best value based on our exclusive general ledger field examination approach. 3.2.5 Newly formed in 2010 with field work beginning in 2011, CSG has not had a quality review performed. This review is planned for 2012.

3.2.2 and 3.2.3 We specialize in providing governments with a full range of compliance services. CSG is committed to delivering outstanding value, exceptional customer service and the highest professional standards. Our office in Birmingham manages all examination services and will be the primary relationship office for this contract, while the examinations will be held mostly at holder company locations as presented to and approved by the State. We are registered and licensed as a business entity in AL and register as required in states where our field work takes us.

3.2.4 The State is seeking firms with a proven track record in the area of examination and compliance. CSG is a highly qualified firm, with the senior staff that has accumulated an outstanding past performance record and over 25 years of experience in working within public accounting, industry and now exclusively serving government clients to ensure compliance. We have a team of experts with a combined experience of ten years in unclaimed property examinations on behalf of government clients and over twenty years of audit experience.

CSG is uniquely positioned to provide professional examination and collection services related to Unclaimed Property. We offer the following experience and resources in support of our proposal:

- Unclaimed Property Examination, Identification, and Collection Services
- Managing large volumes of high dollar-value, sensitive government and holder data.
- Providing Examiners and Certified Public Accountants as financial auditors who travel throughout the United States on behalf of its governmental clients.



- Performing onsite holder examinations, examining business annual returns and related financial documents. These examinations result in full compliance for report periods within the scope of the engagement.
- Subsequent billing and collection, as applicable plus monthly work in process reporting to clients.

Our Examiners complete annual training directly related to government auditing, and the associates we shall assign to this contract have been specifically trained to identify, examine, report, and assist in the collection of unclaimed property. They are also trained in ethics, confidentiality and applicable case law.

We hold our team accountable to serve in a manner that warrants the highest degree of confidence in our integrity, efficiency, effectiveness, fairness and confidentiality.

We believe the most successful projects are those in which the client and CSG personnel have a constructive working relationship.

#### 3.2.4.1 In summary:

- CSG is proficient in providing services described in the statement of work that follows and senior staff members have collected more than \$9,000,000.00 in prior year reportable unclaimed property for multiple states. We have examined all types of Holders in various industries, at all revenue levels. We are not a processing house, referring to submitted returns as “audits”. Our numbers are from true general ledger examinations.
- Senior management has been in business performing like or similar services for a period of more than twenty consecutive years and specific experience with unclaimed property for the last six years. While performing examinations for other states, WV owner property has been identified and Holders instructed in remittance procedures.
- CSG possesses a strong working knowledge of Federal and West Virginia Unclaimed Property laws.
- CSG will locate entities that are holding or in possession of unclaimed property subject to reporting and delivery to the State of West Virginia.
- Senior management is very familiar with filing proof of claims by the governmental bar date for Holders who have filed Bankruptcy.

We are confident that our staff with more than 25 years of auditing, administration, collection, and funds disbursement experience will perform all required services in a timely and efficient manner for the State.



### 3.2.6 References

**Barbara Rice**  
Asst. Treasurer  
South Carolina Unclaimed Property Division  
P.O. Box 11778  
Columbia, SC 29211  
(803) 734-2682  
[Barbara.Rice@sto.sc.gov](mailto:Barbara.Rice@sto.sc.gov)

**Benjamin Spann, Director**  
Unclaimed Property Division  
P.O. Box 91010  
Baton Rouge, LA 70821  
(225) 219-9400  
[bspann@treasury.state.la.us](mailto:bspann@treasury.state.la.us)

**Phillip Carlton**  
Asst. Bureau Chief  
Florida Department of Financial Services  
200 East Gaines Street  
Tallahassee, FL 32399-0358  
(850) 413-5570  
[Phillip.Carlton@myfloridacfo.com](mailto:Phillip.Carlton@myfloridacfo.com)

**Ralph Ainsworth**  
Unclaimed Property Director  
Alabama Treasury Department  
State Capitol  
600 Dexter Avenue So. 106  
Montgomery, AL 36104  
(334) 353-3627  
[ralph.ainsworth@treasury.alabama.gov](mailto:ralph.ainsworth@treasury.alabama.gov)

**Allen B. Martin**  
Audit Manager  
NC Dept of State Treasurer  
325 North Salisbury Street  
Raleigh, NC 27603-1385  
(919)508-5946  
[allen.martin@nctreasurer.com](mailto:allen.martin@nctreasurer.com)



### **3.3 Resumes and CSG Identifying Data**

**Legal Entity** submitting this proposal is Compliance Services Group, LLC. CSG is a 100% women owned company and is certified as such by WBENC. We are headquartered in Birmingham, AL. The Birmingham office manages all aspects of any work performed for West Virginia. Most work is performed in the field at Holder locations.

**Audit Personnel List** (includes others involved with different aspects of the contract):

**Rebecca Adams, CPA (Internal)**  
**President / Auditor**  
**Compliance Services Group, LLC**  
**P.O. Box 1903**  
**Birmingham, AL 35201-1903**

**Pamela Boyles (Internal)**  
**Vice President – Examinations / Auditor**  
**Compliance Services Group, LLC**  
**P.O. Box 1903**  
**Birmingham, AL 35201-1903**

**Carol L. Brown (Internal)**  
**Sec/Treasurer and Client Liaison**  
**P.O. Box 1903**  
**Birmingham, AL 35201-1903**

**Emily E. Taylor (Internal)**  
**Holder Liaison and Training**  
**P.O. Box 1903**  
**Birmingham, AL 35201-1903**

**Maureen Busch, Esq. (External)**  
**Legal Council**  
**3328 Rivers Bend Place**  
**Suffolk, VA 23435**

**Brett Bloomston, Esq. (External)**  
**Legal Council**  
**1330 21<sup>st</sup> Way South**  
**Birmingham, AL 35205**



Brief resumes for key managers and auditors who would execute the services follow:

**3.3.1, 3.3.2 and 3.3.3 Rebecca Lea Adams, CPA, President / Auditor**

Rebecca will be the central point of contact for all contractual activities for CSG. Rebecca is a Certified Public Accountant with 30 years of compliance, internal control, general ledger and financial statement preparation experience. For the last five of those years, as Director of Audit, she led both the tax and unclaimed property audit divisions of RDS. Rebecca was instrumental in building the RDS program to cover multistate compliance audits. She enhanced efficiency and effectiveness of the audit program through concentrated training of all auditors in sampling techniques, work paper preparation, report writing and evolving quality control measures. This helped the company to achieve the maximum benefit to clients. She participated in training teams of examiners and continues to train CSG compliance audit staff. She benefitted from numerous NAST/NAUPA training events for Unclaimed Property and training held by Anthony Andreoli in 2005. She also directed the assessment process and collection efforts for all audit findings for RDS and will continue in this role with CSG.

Rebecca generated millions of dollars in savings for her clients, as manager and partner in public accounting for 15 years by implementing internal control measures and new software solutions over accounts payable and accounts receivable functions. In depth knowledge of common internal control problems that holders experience gives her strong skills in uncovering overlooked areas and property types overlooked for unclaimed property compliance. She trained accounting personnel to address all compliance issues, rather than tax only. The broad spectrum of industries served while in public accounting, allow her to apply the same knowledge to CSG efforts for State clients. Her ability to work with extremely large databases allows her to add value to any state program.

In industry over ten years, as CFO, Controller and Assistant Controller for manufacturers and a leasing company with a portfolio of over two billion dollars, she implemented processes to ensure complete tax and unclaimed property compliance at all levels and reporting unclaimed property to multiple states. Her expertise in inventory, internal control, accounting software systems and audit increased the focus and commitment to direct tax and unclaimed property compliance audits while at RDS for five years, with an emphasis on strong reporting, education and holder compliance. She has performed and directed both voluntary and involuntary examinations and is able to bring all parties to the table for resolution.

Rebecca is very familiar in procedures needed for dealing with Holders in Bankruptcy and the importance of filing timely Proof of Claims prior to the Governmental Bar date set by the Bankruptcy Court assigned the case.



She holds a Bachelor of Science degree with a major in Accounting from the University of Montevallo and is a member of the American Institute of Certified Public Accountants and the National Association of State Treasurers where she actively campaigns for minimum standards for unclaimed property compliance audits and a NAUPA sponsored certification program for all providing examination services to States.

### **3.3.1 Pamela Mullen Boyles, VP Examinations / Auditor**

Prior to joining CSG, Pam directed compliance within industry in her roles as Internal Audit, Controller and later as CFO of large corporations. Her career general ledger focus gives her a strong ability to quickly access internal control program effectiveness in the field. She has performed and directed both voluntary and involuntary examinations and is able to bring all parties to the table for resolution.

Pam served as RDS Unclaimed Property Audit Manager for four years. She has over 20 years of accounting experience and managed audit cases for the RDS Unclaimed Property Division. She is very savvy in dealing with extremely large databases.

Pam coordinates and performs our multistate compliance audits. Her experience makes her a key part of the Quality Control and Review function critical to any program's success. She attends training sessions for sampling using various applications and trains the team to allow flexibility in the field and a well-rounded knowledge of solutions used by Holder companies. She plays a vital role in audit planning with the rest of the audit team. Her job requires the ability to communicate effectively for research, planning, scheduling, and completing of audit assignments with robust report writing of audit results.

She teaches sampling techniques for continuing education classes. Pam obtained her Accounting BA and MBA from the University of Alabama. She is highly proficient in Microsoft Excel, Word and Access.

### **Other CSG staff that will be interacting with the State and Holders**

#### **3.3.4 Carol Lee Brown – Treasurer and Client Service Manager**

Carol manages the Unclaimed Property Trust account for the company. She reconciles the remittances with the audit reports and maintains wiring and mailing instructions for all clients. She is keenly aware of the need for timely reconciliation and remittance to the State Program and is familiar with the turnaround requirements for the trust funds. She invoices states for fees and is prompt to answer any client issue or question.

Carol graduated from Auburn University and is retired from the State of Alabama where she managed a large program and acted as Court Liaison. She is proficient in the use of Microsoft Office applications.



### **Emily Elizabeth Taylor – Holder contact liaison and Trainer**

Emily has 13 years as a trainer for national distributors and sales organizations. She served as Division Manager of a distributor in Dallas, TX and understands client service applies to both internal and external customers and applies her knowledge to communications with Holder Companies. She is highly trained in Microsoft Office applications. Her skills are applied at CSG to handle Holder audit coordination, calls, and inquiries from holders as submitted via the CSG website. She does file conversions to encrypted HRS, or UPEXchange or other preferred NAUPA and State format for transmission to State funds.

### **3.3.6 Maureen J. Busch – Legal Council**

Maureen Busch acted as in house legal counsel for the Unclaimed Property Division while at PRA Government Services, LLC. She worked with the audit teams and holder representatives.

She works with CSG in a similar capacity as outside council.

We have developed an auditing program that uniquely qualifies our team to perform in this arena. We listen to our clients to incorporate their ideas and identified trends. Our auditors complete annual training directly related to government compliance auditing, and have been specifically trained to identify, examine, report, and assist in the collection of many tax types and unclaimed property. Our auditors have been trained in the specific techniques and public policy considerations involved in auditing for compliance to Escheat Laws. These techniques involve exploring procedures for the reconstruction of records or estimation where necessary and the proper statistical analysis of data available.

We hold our team accountable to assess the proper amounts due in a manner that warrants the highest degree of confidence in our integrity, efficiency, effectiveness, fairness and commitment to confidentiality of Holder and Owner information. We take pride in enhancing Holder education while performing the audits and feel it is a necessary step to ensure increases in future compliance.

3.3.5 As of the date of this proposal, these are the auditors who would be assigned to engagements on behalf of the State. CSG agrees to request the prior approval of the Treasury for any Staff substitutions and additions.

However, the State should be aware that CSG continues to expand our UCP auditing staff as our client base, and the volume of unclaimed property engagements expand. Depending on the number of engagements the State approves in the course of the contract, as well as on the overall number of engagements assigned by our other clients, and expected new clients, CSG expects to recruit and hire similarly qualified auditors during the course of the contract. Located in the SE, we provide education and examination services to some of the largest companies incorporated in the area.



We will strategically assign auditors based upon industry expertise, experience level and the number of audit engagements approved by the State, and offer the State our commitment that we will ensure the availability of qualified staff sufficient to the successful and timely completion of audit engagements approved by the state throughout the term of any contract.

**Proposal/Contract/Project Contacts:**

**Rebecca Adams, CPA** - Proposal and negotiations contact and person authorized to sign contract. She will be available during the proposal process and during the contract period. She is an active owner, assisting in the field and managing the processing area.

**Pamela Boyles** – Available to assist during the contract period for any information concerning audit status, issues and remittances.

**Carol Brown** – Available to assist during the contract period for any information concerning remittances, reconciliations, insurance certificates or monthly reports.

**We are involved in professional memberships that advance the profession such as National Association of State Treasurers and National Association of Unclaimed Property Administrators. Our president is also a member of the AICPA.**

**3.3.5 Compliance Services Group, LLC is a start-up company, but our associates have years of experience in Unclaimed Property compliance. We have three state contracts, with two pending contract awards with two RFPs upcoming that we have been invited to respond to based on our personal performance and reputation in the NAST community. We ask for a chance to prove our commitment to excellence. Due to the timing of the State issued RFP's and the contract award process that we are familiar with, we are pleased with our acceptance by State programs we have worked with in the past and other States we have not had the privilege to work with until now. We consider this a strong start for a Company our size and are looking forward continued controlled growth and serving our clients' needs for years to come.**





## Overall Qualifications and Experience

Our Unclaimed Property experience has covered companies in the following industries:

- Hospital/Medical
- Manufacturing
- Mining
- Contractors/ Construction
- Retailers
- Trucking
- Banks/Financial Institutions
- Colleges
- Wholesalers
- Energy Providers

Our audit programs experienced an increase in audit findings from \$2.5 million in the first year of audit completions to \$9 million in 2010 for audit reports issued through June. We have experience examining approved audits for Holder companies with revenues ranging from \$1 billion to \$100 billion. We have the capacity to handle examinations for West Virginia upon approval.

One thing we take pride in is our commitment to customer service. We amend monthly work in process reports to meet various client needs with an emphasis on communication with our state contacts. The monthly work in progress reports are distributed electronically since they contain so much information. We keep a robust communication log on each audit to allow quicker feedback on problem audits. We track progress on each audit and are active managers, still involved in issues and property types for each audit. Training is constant and required for all associates with monthly training in house and focused in depth training for each individual for a minimum of 40 hours annually.

CSG is a highly qualified firm with whose staff has outstanding past performance records in compliance auditing and combined 60 years of experience in working with public sector entities to help discover, recover and manage revenues. We are committed to delivering outstanding value, exceptional customer service, and compliance with all applicable regulations and the highest professional standards.

CSG is a current member of the National Association of State Treasurers (NAST), active in National Association of Unclaimed Property Administrators (NAUPA) committees.

CSG associates have a proven record of success in compliance auditing. Typical audits are for national companies or large regional companies with a presence in many states and countries. These examinations result in full compliance and subsequent billing and collection, as applicable.

We educate Holders, and many times their representatives, in the field and provide further details on a fact sheet and leave the line of communication open for any follow up questions through the next filing due date. This commitment to Holder education ensures future reporting is not hampered by lack of information on property types, dormancy periods, due diligence, reporting and electronic reporting



systems. If they are confident in their knowledge base and feel comfortable in contacting us, we feel this enhances our clients existing compliance efforts.

### 3.4 Method of Providing Services

#### Suggested Work Implementation Plan

To implement this Process on behalf of the State of West Virginia, CSG proposes the following steps:

Within 10 days of executing the contract:

CSG's President will schedule a call with West Virginia Unclaimed Property Director or audit Manager to:

- Ask if the State has any changes to known special reporting requirements other than the monthly cycle described in the RFP.
- Request download of filing histories for businesses presently reporting unclaimed property to the State.
- Request a list of all in-state businesses previously examined.
- Discuss State trends for non-compliance and specific holders about which the State may have a concern.

Within 15 days of executing the contract:

CSG will submit for approval a list of audits currently scheduled on behalf of other states.

Within 30 days of contract execution;  
or when list of all in-state businesses previously examined is provided:

CSG will:

- Compare the downloaded files with relevant databases to attempt to identify additional potential non-filing holders.
- Compare filers for all appropriately filed property types.

Within 60 days of contract execution:

CSG will define the population of businesses resulting from the comparisons above, and submit same to the State for approval.

Before CSG commences a general ledger or securities audit of a holder, CSG will obtain prior written approval from the State. CSG will provide the State with a list of holders that CSG plans to examine. We request that the State agree to review and respond to written requests for approval within 30 days of receiving such lists, indicating whether CSG is approved to act on behalf of the State. Upon approval by the State, CSG will proceed to schedule field examinations for specific holders.

On an ongoing basis, throughout the term of the contract, CSG will cycle back through the process above to identify, schedule, and complete additional holder examinations.



### 1.) 3.4 (cont'd) Workplan

Examinations of Holders for Unclaimed Property involve the following:

- Robust research of audit leads for approval submission
- Research for any new Court Rulings that may apply via our Lexis Nexis online service
- Strict approval process with client states
- Thorough analysis of internal controls and industry trends
- Review of the Chart of Accounts for determining property types involved
- Interviews with Holder staff over each functional control of property types
- Sampling records for exceptions where applicable
- Constant and open communications with Holder representatives or employees
- Investigations as to address data available to determine owner location and dormancy
- Historical Case law knowledge for application to each examination, supplemented by annual requirement of 40 hours of continuing education for all associates
- Report writing including findings summary by state, by report period and by property type
- Distribution of educational resources to all Holders at the beginning and end of each examination.
- Quality review process that is handled at supervisor, and again at upper management level
- Discussion of audit findings with Holder and State
- Conversion of audit remittance details in an encrypted manner in compliance with both NAUPA recommendations and State processing preferences (UPExchange or HRS) including the equivalent information required for ASD-159 and ASD-21

CSG will partner with the State to identify companies that we believe to be most likely to be out of compliance with the provisions of the West Virginia Unclaimed Property Act. After further research, if CSG believes that an audit is warranted, we will request approval from the State to schedule a detailed audit of specific holders. The State may also request that we schedule audits of specific holders internally identified as an audit candidate.

To identify holders, we look for companies doing business in the State in categories -- such as insurance, rentals, utilities, banking, etc. -- where instances of unclaimed property typically occur. Companies in these categories that:

- have a ten year history of not filing annual unclaimed property reports,
- submit reports indicating no unclaimed property to report,
- omit types of property typically found within the company's industry,
- report amounts significantly at variance with industry expectations



These are flagged for further review. Other considerations are companies involved in recent mergers or acquisitions, and companies in industries that typically employ a large transient workforce. CSG may also recommend for audit companies that have audited or are schedule to audit on behalf of other states. In some cases we may also be asked by a state to audit specific holders already known to the state.

The CSG Unclaimed Property Team goes through a rigorous investigative process during our pre audit research, assessing companies for revenue volume, number of employees, state of incorporation, overall market share and industry practices. Once vital information is gathered, the holder companies are compared to filing data supplied by a number of the states we represent. This ensures that we target the least compliant companies that have the most impact for the State. Once the companies have been identified, CSG sends the data to the state representative for approval as a lead state or sign off for combined participation.

3.6 The following is only a listing of the overall summary of the detailed plan. 3.6.2 , 3.6.3 We have participated in both Voluntary and Involuntary examinations. The approach to fieldwork is the same. .If refused for an involuntary action, we communicate with the State in order to coordinate efforts within the bounds of the state's statutes as to subpoena authority etc.

3.6.1 Once approval has been obtained from the State, a letter is sent to the holder company suggesting an appointment time. The information packet also serves to educate the holder about our role and appropriate references to the state law and their obligations.

A call is made to confirm the appointment and communicate a list of items needed for the examination, depending on the industry and revenue volumes.

A mutually agreed upon date is set to hold an Opening Conference and to begin a review of records. A letter is sent to confirm this time, to provide a copy of the Act and to request the initial records needed for the review. The Opening Conference provides the auditor time to explain the scope, establish a time frame and begin the review of the items initially requested. The holder has the opportunity to ask questions and voice concerns as well as discuss the audit process in general.

Once fieldwork begins, our auditors meet with the company in an entrance conference. This interview is held with the appropriate company personnel to access internal controls and procedures concerning Unclaimed Property identification and reporting. We also review the General Ledger to determine areas of possible liability by property type and perform proper analysis depending upon property type.

The fieldwork involves a review of the holder's chart of accounts and internal controls, a detailed review of accounting records and a test of transactions is performed to identify various types of unclaimed property. In the event that some records are unavailable, estimates are developed.

Some cases for tax compliance examinations and many cases for Unclaimed Property examinations require additional audit procedural efforts, related to the statute of limitations within the law. This is either due to missing records, refused records or concerted efforts by companies to disregard any legally required commitment for filings, record retention and adequate staff training.

Inadequate records are approached in several ways, depending on what data is available. Investigative steps are used during our analysis of internal controls to discover trends overall and the source and volume of errors either in units or dollars. Once a well-documented basis for extrapolation is determined, we are able to project liability on the project.

We take pride in our commitment to Holder education while performing the audits and feel it is a necessary step to ensure increases in future compliance.

3.8 Upon completion of the fieldwork, an extensive review is performed by our Audit Division management to ensure that all potential property types have been addressed, and Holder issues resolved



in a professional manner. Due diligence is reviewed for adequacy. If no efforts have been made previous to the audit start we advise the holder of the obligations per all our contract states and in particular with WV Code Section 36-8-7. 3.9 While many States do not enforce penalty and interest statutes, we only educate holders on the statutes that apply, including WV Code Section 36-8-24. In our years of field examinations we run into all kinds of company leadership. For many companies resources are scarce and if there is no potential repercussion to non filers from robust compliance enforcement, there is often no incentive to cooperate during the examination. In other words, we only refer to the statutes and never indicate the actual practice of the State personnel. The decision to apply or not for penalty and interest is not ours.

3.10 and 3.12 Upon completion of audit fieldwork, a formal audit report is issued to both the Holder and the STO. We proceed to collect the property from the Holder or refer the Holder directly to the State for remitting funds and property if required by the State program. 3.13 If we encounter a dispute in the examination that cannot be resolved by CSG and the Holder, we advise the Holder of their right to appeal the preliminary audit report. 3.13.1 This is communication to the holder is both verbal and written detailing all the components as required by WV. 3.13.2 We will support the State in any manner necessary including providing all work papers and appearing at a formal hearing. 3.13.3-6 Rebecca Adams has served as administrative hearings officer for tax matters in Alabama and is familiar with the appeal, hearing, adjustment, final assessment and judicial review phases of engagements. As this is not an unfamiliar process, we have to date, not had any unclaimed property exam appealed but are able to handle this type situation. For involuntary audits, if a Holder fails or refuses to report or deliver unclaimed property within thirty days of notification by CSG, CSG will notify the State in writing prior to initiating any further action.

3.14.3 and 3.19 If our audit discovers unreported securities, then, concurrent with delivery of stocks or bonds, CSG will fax or e-mail to the State's Administrator a separate securities/stock/bond valuation report, including, as applicable, the name and complete description of the security/issue, name of transfer agent, date the property was delivered or transferred to CSG's possession or control, date of transfer to the State, CUSIP number, number of shares, valuation date (within 3 days of date of delivery), and method and source of the property valuation. We will determine the proper endorsements have been made where appropriate. 3.20.1 Securities will be re-registered as required and delivered via DTC or to STO designee as applicable. 3.20.2 If requested, CSG will work with and Holders to facilitate transfer or liquidation, reporting the proceeds. 3.20.3, 3.20.4, 3.20.4 CSG will facilitate the STO with a report of securities with value and act as requested within the scope of authority. Sales of listed securities will be sold at prevailing prices and other securities will be sold OTC as directed by the STO. Within sixty days, sale proceeds and all accrued benefits of ownership will be delivered less normal selling expenses to the STO.

3.11 For out of proof reports we will obtain written agreements from Holders to provide balance due if all owners come forward from a reconciliation.

CSG will invoice the State for our percentage of unclaimed property funds received by the State pursuant to an authorized audit performed under this contract. We can remit property via any method preferred by the State; e.g. either – electronic payment or by check. 3.22 Interest credits will be netted from remittances.

3.17 and 3.25 CSG will provide a monthly Work In Progress report setting forth all new audits and record processing to be commenced and all audits and record processing not yet completed, including reports in process, property requested, property in reconciliation, and pending delivery. Quarterly compilations will also be provided upon request. These reports are robust and include all data requested by the State.



3.26 and 3.27 CSG recognizes the STO need to review any and all records and welcomes participation in a joint effort on any examination.

3.14 and 3.18 Each month CSG will provide a digital (electronic) report of all unclaimed property recovered in a format approved by the State to facilitate processing; e.g. electronically in the National Association of Unclaimed Property Administrators (NAUPA) standard format. Files will be encrypted to ensure the privacy of owner data.

3.23 Release agreements will be provided to Holders as requested in the format provided in Exhibit C of the RFQ.

3.32 The Privacy of all data is paramount to our operation. We train, supervise and monitor our employees to ensure their compliance with company data protection policies. We encrypt all files and have additional security measures on each laptop in the office and field with both fingerprint recognition software and password protection on all layers of our work. We additionally protect the information with both on site and off site daily backups. For larger Holder files we provide an FTP site to allow for safe file transfer with Holders and Holder Representatives. We contract with a shredding service that is NAID AAA Certified for document destruction.

3.7 We comply with all timeframes as required by our contract states. If a holder exam is not complete in the time allotted we notify the State via monthly reports and secure written extensions where required.

3.28 CSG will support and assist STO in all disputes regarding property notifying the STO within 30 days of any dispute and within 30 days of any dispute resolution.

3.29 Having served government clients for years, we understand the need to perform examinations of business of all sizes and types. We are agreeable to alternate compensation (hourly rate of \$65 for budgeted time and expense reimb) for any examination considered necessary and assigned to CSG by the STO.

### **Holder and Auditor Training**

Auditor training includes NAST May conference attendance which has a broader offering of Unclaimed Property specific subject matter. We supplement this training with in house training before auditors are allowed in the field based on prior instruction received from Anthony Andreoli. These materials are updated and presented in a notebook for easy reference for the newer auditors. Other supplemental training is acquired for sampling software usage and techniques. The MultiState Tax Commission week long class offering for compliance auditors is a perennial favorite of the Company.

3.24 Holder training is done both in a conference setting and in the field during audits. Rebecca Adams participated on a panel provided to the Holders attending the May 2011 sessions and has volunteered to assist in future presentations for NAUPA and will be presenting at the May 2012 Holder section of the conference. We also educate Holders on each examination in the field. We provide a list of resources upon first contact and in the Audit Report. In the field we are able to connect with not only CFOs and Controllers, but also at the Accounts Payable and Accounts Receivable levels. Once the knowledge is spread to all levels and confidence regarding due



diligence and annual reporting are instilled, this assists in future reporting compliance. We encourage all Holder personnel to contact us with any filing or property type questions, even after our examination is complete.

We are glad to participate with State personnel for any training events desired.

### **Litigation Disclosure**

CSG has no ongoing or settled litigation of any type prior to this proposal submission.

We are not aware of any pending litigation action.

### **3.5 Conflict of Interest/Independence**

CSG will not request or perform any examination where there is a real or perceived conflict of interest.



## Cost Proposal General Clarifications

CSG proposes to receive compensation for its services as outlined in the RFQ document.

- 3.30.1 CSG will receive a single fixed percentage of 13% fee from the net unclaimed property reported for the Holder for General Ledger Property Types and 13% for Security Property Types. 3.30.2 Assigned involuntary examinations outlined in 3.29 will be paid based on 3.30.1 unless the hourly rate does not exceed section 3.29 rate. We are in agreement to the terms of 3.30.2.
- 3.31 CSG is responsible for all expenses related to the performance of these services.
- The examinations will be for Holders located both inside and outside the State of West Virginia, pursuant to the West Virginia Unclaimed Property Act.
- 3.33 CSG is in agreement will the Special Terms and Conditions as outlined in Attachment 1.
- We will file a Proof of Claim (POC) or assist State personnel in preparing the POC for any Holder approved for audit with an active case in Bankruptcy court, provided the Governmental Bar date has not already passed. If beyond the Governmental Bar date, a proof of claim will be filed but may be considered with general creditors at the Court's discretion.
- We will follow the provisions of Section 116B, U.S Supreme Court rulings and Federal Law.
- 3.16 CSG will not represent Holder for reviewing or computing the unclaimed property liability, or similar services, only acting within the scope of authority granted by State contracts.
- 3.15 CSG examinations will be performed according to Professional Standards including GAAP and GAAS.
- CSG will deliver an Electronic Holder report in a format acceptable via the use of HRS or UPEXchange as approved by NAUPA and WV.
- All CSG computers are encrypted with FIPS Compliant Fingerprint Reader and Contactless Smartcard Reader technology. All files exchanged are password protected. We take all steps necessary to be in compliance with GS Chapter 75, Article 2A, "Identity Theft Protection Act."





- CSG associates will strive to work closely with State and Holders to benefit the program via informed Holders and protected consumer interests.

Attachment 2

WVSTO RFQ Technical Proposal Form

RFQ# STO12008

Vendor Name: Compliance Services Group, LLC

Address: 2520 Shades Crest Road

City: Birmingham State: AL ZIP: 35216

Date Proposal Submitted: 4/19/2012

Vendor FEIN: 27-3160978

Vendor E-mail Address: RAdams@Complianceservicesgroup.com

Contact Person Name: Rebecca Adams Phone: 205-616-3964

Addenda to the RFQ we have received and reviewed (list): No(s): STO 12008

I. PROPOSAL SUBMISSION

- 1.1 Proposals shall be submitted in accordance with the RFQ, including, without limitation, format, submission date and time, and other submission requirements.
- 1.2 All proposals, including the five (5) courtesy (hard) copies AND one CD/DVD/USB flash drives, must be received by the RFQ Bid Opening Date and Time. Failure of the Vendor to deliver the proposal in the prescribed manner and on time will result in disqualification.

WEST VIRGINIA STATE TREASURER'S OFFICE  
NON-EMPLOYEE  
CONFIDENTIALITY / NON-DISCLOSURE AGREEMENT

I am the person (Recipient) named at the end of this Confidentiality / Non-Disclosure Agreement (Agreement), who may have access to information of the West Virginia State Treasurer's Office (STO) that may be considered confidential. I acknowledge and agree that:

1. Certain matters may be disclosed to me that should remain confidential or proprietary;
2. Confidential Data includes any information residing on STO Information Resources; all data, materials, products, technology, computer programs, specifications, manuals, business plans, records, software, financial information, and other information disclosed or submitted, orally, in writing, graphically, machine recognizable, or by any other media, to me that is stamped "confidential," "proprietary" or with a similar legend; or that I have been informed is Confidential Data or proprietary information;
3. Confidential Data does not include any data, information or device that is:
  - In my possession from another source without restrictions on use or disclosure;
  - Independently developed by me;
  - available without breach of this Agreement; or
  - produced or disclosed pursuant to applicable law, rule, regulation or court order;
4. I shall not disclose or use the Confidential Data in a manner in violation of this Agreement without the express written consent of the State Treasurer or Assistant State Treasurer;
5. I shall not disclose or use the Confidential Data in a manner that violates any law;
6. I will hold in strict confidence anything that is considered Confidential Data or proprietary within the meaning of this Agreement;
7. I shall not disclose to any person not specifically authorized to receive, have or view any Confidential Data or proprietary information;
8. disclosure or unauthorized use of any Confidential Data or proprietary information will cause irreparable harm and loss to the STO and may violate various laws of the State of West Virginia and the United States;
9. the STO may take whatever steps it considers appropriate to protect its Confidential Data, and in the event I disclose or use, or permit any disclosure or use of, any Confidential Data without authorization from the State Treasurer or Assistant State Treasurer, such steps may include termination of any agreement or arrangement under which I work;
10. I shall not use any Confidential Data as a basis upon which to develop or have another entity develop any product or service without the express written consent of the State Treasurer or Assistant State Treasurer; and
11. I will report, in writing, any unauthorized use or disclosure of the Confidential Data of which I become aware.

WITNESS THE FOLLOWING SIGNATURES:

(STO)

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

(Recipient)

Signature:  \_\_\_\_\_

Name: Robin Adams

Title: President

Date: 4-9-12

RFQ No. STO12008

STATE OF WEST VIRGINIA  
Purchasing Division

**PURCHASING AFFIDAVIT**

West Virginia Code §5A-3-10a states: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owned is an amount greater than one thousand dollars in the aggregate

**DEFINITIONS:**

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, Limited Liability Company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceeds five percent of the total contract amount.

**EXCEPTION:** The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (*West Virginia Code §61-5-3*), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

**WITNESS THE FOLLOWING SIGNATURE**

Vendor's Name: Compliance Services Group LLC

Authorized Signature: [Signature] Date: 4-9-12

State of \_\_\_\_\_

County of \_\_\_\_\_, to-wit:

Taken, subscribed, and sworn to before me this \_\_\_ day of \_\_\_\_\_, 20\_\_.

My Commission expires \_\_\_\_\_, 20\_\_.

AFFIX SEAL HERE

NOTARY PUBLIC \_\_\_\_\_

WEST VIRGINIA STATE TREASURER'S OFFICE  
VENDOR LAPTOP AND NETWORK SECURITY AGREEMENT

The Vendor named below hereby acknowledges and agrees as follows:

1. Connection of any laptop to the West Virginia State Treasurer's Office (WVSTO) network requires prior approval. Approval is requested by completing a Network Access Request document and returning to the Primary Contact listed in paragraph 12. Unrecognized laptops on the network are disabled immediately upon discovery (typically by switch port disabling) and the source is investigated. The WVSTO is not liable for loss or damage to unapproved laptops (or the data thereon) by being connected to its network or by being disabled.
2. Efforts to circumvent any network controls (such as Internet filtering) are prohibited.
3. All WVSTO network resources are for WVSTO business purposes only.
4. Use of any network reconnaissance tools without prior approval is prohibited.
5. Network logon accounts for Vendors can be provided for contracted work. These accounts will have expiration dates, which can be extended as needed. VPN access can also be provided.
6. Administrative rights can be provided to Vendors by placing their network logon account or logon account(s) group in the Local Administrators Group of computers affected by the Vendor's scope of work when those computers are joined to the WVSTO domain.
7. Vendors are not afforded domain administrator rights and are prohibited from engaging in activities typically performed by domain administrators, such as joining computers to the WVSTO domain, modifying any active directory, extending the schema, or creating or changing DNS entries. In cases where these activities are required, a WVSTO domain administrator will be assigned to work with Vendors to accomplish these tasks.
8. All servers are to use static IP addresses which will be assigned by WVSTO network administrators. Applicable addressing information such as suffix, DNS and WINS will be provided to the Vendor. Computer names and descriptions for servers requiring static IP addresses are to be provided to WVSTO network administrators for documentation purposes.
9. Any server installed into the WVSTO network will have anti-virus software provided by the WVSTO installed as soon as possible. The Vendor should provide any file and folder exclusions that should be applied to the anti-virus software.
10. A phone with a dedicated phone number and voice mail can be provided to Vendors to facilitate an engagement.
11. Typically a WVSTO network administrator is assigned to Vendor projects as a facilitator and liaison for the duration of the project.
12. Primary contact for network access and resources are:

Kin Richardson, Director of Network Operations  
304.341.0727 or 304.341.0700 (WVSTO Help Desk) / [kin.richardson@wvsto.com](mailto:kin.richardson@wvsto.com)

Alternate contact:  
Matt Ellison, Deputy Treasurer of IT  
304.341.0768 / [matt.ellison@wvsto.com](mailto:matt.ellison@wvsto.com)

I acknowledge receiving these guidelines and agree to comply.

Vendor Name: Compliance Services Group LLC

Vendor signature: 

Print name: Rebecca Adams

Date: 4-9-12

VENDOR AFFIRMATIONS AND SIGNATURE

The Vendor hereby covenants, agrees and acknowledges:

1. Vendor has read and understands the RFQ and all attachments thereto;
2. The submitted proposal, which includes the Technical Proposal Form, is in response to the RFQ and all Attachments thereto;
3. The proposal submitted meets or exceeds all the Mandatory Requirements of the RFQ and that Vendor will provide any additional documentation deemed necessary by the STO to demonstrate compliance with the Mandatory Requirements;
4. To be bound by the Proposal and any purchase order and change order, as amended;
5. That the person signing this Technical Proposal Form and the submission of the Proposal is authorized to bind the Vendor to this proposal;
6. The Proposal was prepared independently from all other Vendors, and without collusion, fraud or other dishonesty;
7. That this Proposal shall remain valid for a period of ninety (90) days after the proposal opening date for the RFQ;
8. To provide the Services in accordance with any resulting purchase order, as may be amended from time to time;
9. The STO is not liable for any claims and the Vendor will not assert any defense based upon, resulting from, or related to, Vendor's failure to comprehend all requirements of the RFQ; and
10. Any exception Vendor takes to the terms and conditions of the RFQ, including any STO proposed agreement; any alternative terms and conditions it wants to offer; and any Vendor-proposed agreement have been submitted with this Proposal in the Miscellaneous Section and will comply with the laws, rules, regulations and policies of the STO, the requirements of the RFQ, and the Attachments thereto and any other document required by the STO; and
11. This proposal is not contingent upon the STO's acceptance of any offered exception, proposed revision or any term or condition found objectionable by the STO and the STO has no obligation to accept or negotiate terms and conditions or an agreement.

| Rebecca Adams  
Printed Name

  
Authorized Signature



# SAMPLE

PO Box 1903  
Birmingham, Alabama 35201

205.616.3984 \* 205.978.1882 fax  
www.complianceservicesgroup.com

**Bill To:**  
WV Department of Treasury  
Unclaimed Property Property Division  
Sample Street  
Charleston, WV

**Date:** 10/01/10  
**Invoice:** 8788-AL  
**For:** Unclaimed Property Audit Services  
**CSG EIN:** 27-3160978

Holder Information	Audit Start Date	Audit End Date	Date Findings Remitted to RDS	Records Audited & Properties Remitted	Audit Findings	Contract %	CSG Audit Fee
Holder Name: Sample Company	01/31/10	07/19/10	10/01/10	AP-GL, Void Checks & Bank Recons	\$ 292,706.37	13.00%	\$ 38,051.83
Street Address: 2100 Mayberry St				PR-GL, Voids Checks & Bank Recons	\$ 31,897.00	13.00%	\$ 4,146.61
City, State, Zip: Mobile, AL 35210				AR-GL, Void Checks & Bank Recons	\$ 210,040.00	13.00%	\$ 27,305.20
Tax ID: 59-xxxxxxx							
State Holder ID: NA							
RDS Holder ID: NA							
RDS Project ID: 8788							
Contact Name: Reed Smith							
Contact Phone Number: 205-123-4567							
Contact Fax Number: 205-123-6789							
Contact Email: reed@samplecompany.com							
					\$ 534,643.37		\$ 69,503.64
<b>Amount of CSG Audit Fee Withheld</b>							\$ -
<b>Amount Remitted To CSG</b>							\$ 534,643.37
<b>Amount Remitted To West Virginia</b>							\$ 534,643.37

**Make Check Payable To:** Compliance Services Group, LLC  
**Mail Check To:** Compliance Services Group, LLC  
Attention: Carol Brown  
PO Box 1903  
Birmingham, Alabama 35201

**If you have any questions concerning this invoice, please contact:**  
Carol Brown  
Office Phone: 205-919-6844  
Fax: 205-978-1882  
Email: cbrown@complianceservicesgroup.com

CSG

Standard Audit Plan -  
Unclaimed Property

Updated : 09/03/10



# CSG

## Standard Audit Plan - Unclaimed Property

### 1. Pre-Audit Analysis

- 1.1. Research history and operations of the holder company.
- 1.2. Obtain permission to audit the holder company from the state of incorporation.
- 1.3. Have the state of incorporation send an authorization letter to the holder company.
- 1.4. Research for any bankruptcy filings.
- 1.5. Obtain a copy of the authorization letter from the state of incorporation.
- 1.6. Submit the holder company information to our other contract states to see if they would like to be involved in the audit and obtain authorization letters from any of the states that choose to be involved.
- 1.7. Call, send a letter, or email an officer of the holder company to initiate contact. Introduce ourselves and schedule a mutually agreeable time for the Pre-Audit Conference.
- 1.8. Obtain copies of the contracts between CSG and the participating states for the working paper file.
- 1.9. Obtain and review the UCP auditing procedures and policies for each participating state.
- 1.10. Prepare a confidentiality agreement to be signed by both CSG and the holder company.
- 1.11. Set up the working paper file.

### 2. Pre-Audit Conference

- 2.1. Explain to the holder, if necessary, the basics of unclaimed property and answer any questions they may have about the UCP codes and laws.
- 2.2. Advise the company of the scope of the audit (10 years) and additional, relevant sections of the Unclaimed Property Law.
- 2.3. Discuss with the holder the use of estimations when less than 10 years worth of records will be provided.
- 2.4. Have an officer of the holder company assigned as examination liaison and source of company records.
- 2.5. Obtain a general understanding of the accounting system and internal controls and legal opinion relating to unclaimed property and the filing of Annual Unclaimed Property Reports.
- 2.6. Request the specific records needed for the audit be made available (in electronic format if possible).
  - 2.6.1. The holder's copies of prior years' Unclaimed Property Reports and supporting working papers.
  - 2.6.2. Copies of accounting policy and procedure manuals relevant to unclaimed property.
  - 2.6.3. A copy of the holder's record retention policy, if a written policy is not available please obtain an explanation with specifics concerning record retention.
  - 2.6.4. A list of all subsidiaries and divisions (form provided).
  - 2.6.5. A Chart of Accounts.

# CSG

## Standard Audit Plan - Unclaimed Property

- 2.6.6. Most current General Ledger Trial Balance and a cutoff General Ledger Trial Balance as well as General Ledger Trial Balances for the last 10 years or all years available.
- 2.6.7. Latest Annual Report & Form 10K, if applicable.
- 2.6.8. List of open bank accounts and accounts closed during the audit period (form provided).
- 2.6.9. Copy of the first page of the holder's Annual Tax Return for each of the last 10 years or all years available (used to verify Annual Gross Receipts).
- 2.6.10. Independent CPA's audit report for each of the last 10 years or all years available.
- 2.6.11. Internal Audit Reports for each of the last 10 years or all years available.
- 2.6.12. Bank reconciliations for all disbursement accounts (including payroll accounts).
- 2.6.13. Detailed Void Check List for the last 10 years or all years available.
- 2.6.14. General Ledger account detail (selected accounts will be provided by auditor during audit).
- 2.6.15. Most current Accounts Receivable Aging report (after review, additional Accounts Receivable reports may be needed).
- 2.6.16. Accounts Receivable Credit Balance report for each of the last 10 years or all years available.
- 2.6.17. Unapplied Payment reports for each of the last 10 years or all years available.
- 2.6.18. Accounts Receivable Write-off reports for each of the last 10 years or all years available.
- 2.7. Inquire about any mergers and acquisitions that may have occurred during the audit period.
- 2.8. Inquire about accounting software used and any changes during the audit period.
- 2.9. Discuss various auditing techniques with holder (i.e. sample vs. detail; hard copy records vs. electronic records).
- 2.10. Inquire and obtain details of any company specific (including subsidiary) bankruptcy filings.
- 2.11. Modify audit plan as needed.

### 3. Preliminary Audit Review Steps

- 3.1. Have the holder representative sign and return the Confidentiality Agreement to be placed in the working paper file.
- 3.2. Complete any internal control or general notes on the holder company including the Holder Questionnaire in the Audit Program.
- 3.3. Obtain and review the records requested in the Pre-Audit Conference.
- 3.4. Obtain any policies, procedures, rules, regulations and bylaws of the holder company relating to unclaimed property.

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## Standard Audit Plan - Unclaimed Property

- 3.5. Prepare a schedule of auditor's notes to record relevant findings as considered necessary to supplement the working papers.
  - 3.6. Prepare a working agenda to record questionable areas and items for subsequent review.
  - 3.7. Inquire as to the internal audit function in regard to unclaimed items. Review internal audit reports and working papers if available.
  - 3.8. Review independent CPA's working papers for adjustments affecting unclaimed property such as analysis of miscellaneous income and adjusting journal entries for write-offs.
- 4. Audit - Unclaimed Property Report Analysis**
- 4.1. Prepare an analysis of Reports previously filed.
  - 4.2. Evaluate and document the systems and procedures used to compile reports to the states.
    - 4.2.1. Determine which property types the holder has been filing for.
    - 4.2.2. Determine in which states the holder company files.
    - 4.2.3. Determine initial year of filing.
  - 4.3. Review the holder's files and related working papers used to prepare past Reports to states.
    - 4.3.1. Agree the owner names, addresses and amounts on unclaimed property directly to holder records.
    - 4.3.2. Trace the Reports to the state to the holder's source documents.
  - 4.4. Test dates of the last transaction or dates property became payable, demandable or returnable.
  - 4.5. Test for compliance with Texas v. New Jersey rules.
  - 4.6. Test for compliance with aggregation limit.
  - 4.7. Propose changes in procedures if needed.
    - 4.7.1. Accounting control and procedures.
    - 4.7.2. Reporting procedures to the state.
    - 4.7.3. Systems inadequacies.
- 5. Audit – Outstanding Checks (AP and Payroll)**
- 5.1. Evaluate and document the system of internal control over all cash disbursements.
  - 5.2. Review the internal control maintained over outstanding checks and other reconciling items on the bank reconciliations.
  - 5.3. Obtain a list of all open and closed bank accounts used during the 10 year audit period.
  - 5.4. Review all closed checking accounts (including payroll accounts) to determine the amount of outstanding checks at the time of closing and trace the outstanding checks total to the bank statement.
  - 5.5. Analyze the General Ledger detail of any accounts deemed necessary to determine whether any outstanding checks have been voided, taken directly into income or credited to Retained Earnings. Also, review the detail of

## CSG

### Standard Audit Plan - Unclaimed Property

- contra or related expense accounts to determine whether outstanding checks are reversed to the account for which they are drawn.
- 5.6. Review liability accounts to which outstanding checks are transferred.
    - 5.6.1. Evaluate aging procedure.
    - 5.6.2. Test debit entries to determine their nature.
    - 5.6.3. Reconstruct any checks written off to an income or retained earnings account.
  - 5.7. Obtain and review bank reconciliations and outstanding check lists for the audit period.
  - 5.8. Test for a waiver of accepting stale dated checks by the holder after the statute of limitations has run.
  - 5.9. Determine if "Returned by Post Office" checks are handled differently from other outstanding checks.
  - 5.10. Prepare a list / schedule of all outstanding checks greater than 90 days old. Provide the list / schedule to the holder for explanations and back-up.
  - 5.11. Make note of any unusual items on the bank reconciliations and schedule for explanation from holder.
  - 5.12. Complete estimations of outstanding checks and related unclaimed property for periods not provided by the holder.
  - 5.13. Provide holder all remaining open items for additional back-up available and update work papers if needed.
  - 5.14. Propose changes in the system.
    - 5.14.1. Accounting control and procedures.
    - 5.14.2. Reporting procedures to the state.
    - 5.14.3. System inadequacies.
- 6. Audit – Voided Checks (AP and Payroll)**
- 6.1. Evaluate and document the system of internal control over void checks.
  - 6.2. Obtain and review void check listings for the audit period.
  - 6.3. Analyze the General Ledger detail of any accounts deemed necessary to determine where checks are posted after being voided.
  - 6.4. From the void check listing, prepare a list of all checks voided during the audit period with a lag greater than 60 days between check date and void date.
  - 6.5. If the refined population of voided checks for the audit period is large, prepare a random sample using sampling software. Provide the sample to the holder for explanations and also have the holder sign off on the sampling procedure.
  - 6.6. Analyze the back-up information and explanations to determine which, if any, of the outstanding checks or voids will be removed from the list of unclaimed property.
  - 6.7. Complete extrapolations of the findings for any void population that had to be sampled.
  - 6.8. Complete estimations of voids related unclaimed property for periods not provided by the holder.

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## Standard Audit Plan - Unclaimed Property

- 6.9. Provide holder all remaining open items for additional back-up available and update work papers if needed.
  - 6.10. Propose changes in the system.
    - 6.10.1. Accounting control and procedures.
    - 6.10.2. Reporting procedures to the state.
    - 6.10.3. System in adequacies.
- 7. Audit – General Ledger**
- 7.1. Review the Chart of Accounts for selection of accounts to be analyzed in detail and tested.
  - 7.2. Select accounts that are normal hot-spots for the writing off of unclaimed property and any other accounts that seem out of the ordinary.
  - 7.3. Provide the list of selected accounts to the holder and have them run GL detail on the accounts for the audit period.
  - 7.4. Review account detail for general journal entries, potential write-offs of unclaimed property, and other entries disposing of unclaimed items.
  - 7.5. Provide the list / schedule of selected entries to the holder for back-up and explanation.
  - 7.6. Analyze the back-up information and explanations to determine which, if any, of the outstanding checks or voids will be removed from the list of unclaimed property.
  - 7.7. Complete estimations of general ledger findings related to unclaimed property for periods not provided by the holder.
  - 7.8. Provide holder all remaining open items for additional back-up available and update work papers if needed.
  - 7.9. Propose changes in the system.
    - 7.9.1. Accounting control and procedures.
    - 7.9.2. Reporting procedures to the state.
    - 7.9.3. System in adequacies.
- 8. Audit – Accounts Receivable Credit Balances**
- 8.1. Obtain a list of categories of credit balances generated by the holder during the examination period.
  - 8.2. Evaluate and document the system of internal control and procedures for processing credit balances.
  - 8.3. Review a listing of credit balances if applicable.
    - 8.3.1. Evaluate aging procedures.
    - 8.3.2. Test debit entries to determine their nature.
    - 8.3.3. Reconstruct any items written off to an income or related expense account.
  - 8.4. Review current and previous month-end AR aging reports, noting any accounts with net credit balances.
  - 8.5. Analyze the General Ledger detail of all AR accounts and any income accounts deemed necessary to determine whether credit balances have been

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## Standard Audit Plan - Unclaimed Property

taken into income. Also, review the detail of related expense accounts to determine whether credit balances are used to offset expenses.

- 8.6. Test for waiver of payments of previously charged off credit balances.
  - 8.6.1. Prior to the running out of the statute of limitations.
  - 8.6.2. After the running out of the statute of limitations.
- 8.7. Prepare a list / schedule of unreported credit balances, credit balance write-offs or miscellaneous Accounts Receivable entries in excess of the statutory holding period. Provide the list / schedule to the holder for explanations and back-up.
- 8.8. Analyze the back-up information and explanations to determine which, if any, of the credit balances will be removed from the list of unclaimed property.
- 8.9. Complete estimations of Accounts Receivable related unclaimed property for periods not provided by the holder.
- 8.10. Propose changes in the system.
  - 8.10.1. Accounting control and procedures.
  - 8.10.2. Reporting to the state.
  - 8.10.3. Systems inadequacies.

### 9. Audit – Gift or Merchandise Certificates

- 9.1. Obtain a list of all categories of gift or merchandise certificates issued by the holder during the audit period if applicable.
- 9.2. Evaluate and document the system of internal control over the issuance, recognition, and payment of gift certificates.
- 9.3. Review the general ledger income accounts for write-off of gift certificates.
- 9.4. Analyze any year-end debit entries to the general ledger control account for gift certificates.
- 9.5. Test for waiver of payment of stale dated or written off gift certificates.
- 9.6. Obtain specimen copies of instruments issued during the audit period.
- 9.7. Prepare a list / schedule of all unreported or written off gift certificates held in excess of the statutory holding period. Provide the list / schedule to the holder for explanations and back-up.
- 9.8. Analyze the back-up information and explanations to determine which, if any, of the credit balances will be removed from the list of unclaimed property.
- 9.9. Complete estimations of gift certificate related unclaimed property for periods not provided by the holder.
- 9.10. Propose changes in the system.
  - 9.10.1. Accounting control and procedures.
  - 9.10.2. Reporting to the state.
  - 9.10.3. Systems inadequacies.

### 10. Audit – Deposits & Refunds

- 10.1. Obtain a list of categories of deposits taken by the holder during the audit period if applicable.
- 10.2. Evaluate and document the system of internal control over the deposits handled by the holder.

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### Standard Audit Plan - Unclaimed Property

- 10.3. Review the aging process over outstanding deposits.
- 10.4. Test debit entries to the deposit liability accounts to determine their nature.
- 10.5. Obtain and evaluate any copies of deposit contract cards in use.
- 10.6. Test for refunding of deposits when the conditions for a refund are met.
- 10.7. Determine if there has been a write-off policy for stale dated or long outstanding deposits.
- 10.8. Reconstruct any deposits written off or improperly service charged.
- 10.9. Test for the accrual of interest on the deposits if required by statute or contract.
- 10.10. Prepare a list / schedule of all unreported deposits held in excess of the statutory holding period. Provide the list / schedule to the holder for explanations and back-up.
- 10.11. Test for the waiver of paying old or charged off deposits.
- 10.12. Obtain a list of all refunds ordered during the audit period.
- 10.13. Trace the disposition off all refunds ordered.
- 10.14. Prepare a list / schedule of all refunds held in excess of the statutory holding period. Provide the list / schedule to the holder for explanations and back-up.
- 10.15. Analyze all the back-up information and explanations provided by holder to determine which, if any, of the deposits and refunds will be removed from the list of unclaimed property.
- 10.16. Propose changes in the system.
  - 10.16.1. Accounting control and procedures.
  - 10.16.2. Reporting to the state.
  - 10.16.3. System inadequacies.

#### 11. Securities

- 11.1. Determine administration of transfer and other securities functions.
- 11.2. Contact administrator internally or external vendor contact authorization from Holder.
- 11.3. Review control procedures of administrator or external transfer agent.
- 11.4. Obtain and review for list of services provided by external transfer agent, verifying escheatment services is part of scope of work for vendor.
- 11.5. Obtain name of software and platform used for function administration.
- 11.6. Obtain and review latest escheatment report given to Holder Company.
- 11.7. Acquire and review ownership records and last contact logs.
- 11.8. Investigate paying, proxy, exchange, and tender activities.
- 11.9. Obtain lost account reports.
- 11.10. Test lost accounts for dormancy.
- 11.11. Analyze all documentation provided for adequacy.
- 11.12. If controls deemed substandard, refer to alternate procedures workplan.

#### 12. Closing the Audit

- 12.1. Submit the working paper file and audit program for peer review.
- 12.2. Reviewing auditor will review working paper file and audit program for:
  - 12.2.1. Adequate documentation of findings.
  - 12.2.2. Working paper file completely indexed.

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### **Standard Audit Plan - Unclaimed Property**

- 12.3. Resolve any review points or deficiencies and reviewer signs off on audit.
- 12.4. After review, prepare a preliminary audit report with examination findings to the holder.
- 12.5. If holder has additional back-up not already provided, update the preliminary findings report and submit for review.
- 12.6. Once the review of the preliminary report is complete, set a specific time and place for an exit conference with the holder.

#### **13. Exit Conference**

- 13.1. Hold the exit conference with the holder representatives. Fully discuss the findings and present the Statement of Examination Findings and appropriate working papers to support findings.
- 13.2. Provide the Holder 30 days to review the findings and to propose any additional adjustments.

#### **14. Closing the Audit**

- 14.1. Examine the proposed adjustments and adjust findings where appropriate.
- 14.2. Audit peer reviews any adjustments made by the lead auditor.
- 14.3. Prepare the final draft of the report and Statement of Examination findings reflecting the amounts after adjustments are applied.
- 14.4. Have audit peer review and make any changes deemed necessary.
- 14.5. Submit the completed file and draft report for the final sign-off and report issuance by Audit Manager.
- 14.6. Provide a copy of the final report and Statement of Examination Findings to the holder with a formal demand for payment within 30 days.
- 14.7. Commence the collection process if any amounts are not remitted by the holder in the time specified.
- 14.8. File the working paper file and final copy of the report.
- 14.9. Place a copy of any correspondence, settlements, court orders in the working paper file.





## Compliance Services Group, LLC

P. O. Box 1903    Birmingham, AL 35201    Ph. 205.616.3964

August 11, 2011

Ms. Johnnie Smith  
CFO  
Smith Trading Company, Inc.  
3490 NE 12<sup>th</sup> Street  
Big Beach City, NC 12345

Dear Ms. Smith:

In accordance with the Uniform Disposition of Unclaimed Property Act (the Act) and North Carolina Statutes Section 116B, Compliance Services Group, LLC. (CSG) conducted an examination of Smith Trading Company, Inc. (STC) relating to unclaimed property in its possession for the report years 2001 to 2010. It is the responsibility of STC to comply with the provisions of the Act.

Attached is the Unclaimed Property Examination Report. Prior to the initiation of this examination on June 6, 2011, STC had not filed unclaimed property reports. The objectives of the examination were to determine compliance with the Act and to determine if adequate management controls were in place to ensure the proper identification and reporting of unclaimed property for both prior and future report years. The examination was conducted in accordance with applicable Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States.

The relevant provisions of the Act and regulations are explained in the Introduction and Background section of the attached report. The report contains findings and recommendations related to the reporting of unclaimed property and future reportable property. Future reportable property includes identified items that are currently unclaimed but are not yet dormant.

The report identifies an existing unclaimed property liability in the amount of \$226,232.87 that should be remitted by September 15, 2011 per the payment and reporting instructions outlined on page 10 of the report.

Thank you for your assistance and cooperation in this matter.

Sincerely,

Rebecca Adams  
President  
Compliance Services Group, LLC

cc: Jim Doe  
Jane Doe

UNCLAIMED PROPERTY EXAMINATION

**Smith Trading Company, Inc.**

For Report Periods

2001 to 2010

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**INTRODUCTION AND BACKGROUND**

The Uniform Disposition of Unclaimed Property Act (the Act) and North Carolina Statutes, Summarized in N.C.G.S. Unclaimed Property Manual Section 116B 1-80, set forth procedures for the disposition of abandoned and unclaimed property. Each State Treasury or Revenue Department is responsible for the administration of the Act. Relevant provisions of the Act provide for the following:

- Financial institutions, insurance companies, utilities, businesses, not for profit organizations, fiduciaries and all other legal entities, including courts, public authorities, state agencies and any political subdivisions, shall report abandoned and unclaimed property to states.
- Any property for which there has been no contact or transaction initiated by the owner past the dormancy period is subject to the custody and control of the states.
- To ensure compliance, the Act provides the states with the responsibility and authority to examine the books and records of holders of abandoned and unclaimed property.

Pursuant to the State's responsibility and authority under the Act and N.C.G.S 116B, the State's agent, Compliance Services Group, LLC (CSG), conducted an examination of Smith Trading Company, Inc. (STC) for the report years 2001 to 2010. Fieldwork occurred for the examination June 6-10, 2011, with additional documentation submitted by STC personnel through July 25, 2011.

**ORGANIZATION PROFILE**

Smith Trading Company, Inc. is located and headquartered in Big Beach City, North Carolina and was incorporated in the State of North Carolina April 11, 1959. STC, has been family owned and operated since 1959.

There are four sales divisions within STC and the Company is known as international marketers of pipe, party supplies, yellow iron equipment to Europe, South America, the Caribbean and southeastern United States. The company distributes more than 150 million pieces of pipe and party supply inventory, including noise makers equipment, and shipping equipment and supplies. Customers include commercial movers and shakers, and packaging manufacturers. Company facilities cover 325,000 square feet, they have over 1400 employees and have a customer base located in over 30 countries. The Company offers long and short term financing options for customers. STC experienced very strong revenue growth from 2001 to 2010.

Competitors in the market include (per Hoovers):

Rebecca's Pipe Company  
Pam's Brands Corporation  
Jones Party Supplies  
Smith Paper  
International Distributions LLC.

**EXAMINATION OBJECTIVES, SCOPE & METHODOLOGY****Objectives**

The objectives of this examination were to determine compliance with the Uniform Disposition of Unclaimed Property Act and State of North Carolina Statutes (Title XL, Chapter 717) and to gain an understanding of the management controls as they relate to identifying and reporting unclaimed property. We conducted the examination in accordance with applicable Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. Accordingly, the examination objectives included obtaining an understanding of management controls, examination of evidence on a test basis and other examination procedures considered necessary to determine STC's compliance with the Act and North Carolina Statutes.

**Examination Scope**

The scope of the examination was for report years 2001 to 2010 for Smith Trading Company, Inc. and included specific areas such as reporting history, financial records, and accounting practices. While there is no statute of limitations for this compliance matter, due to the issue of record retention and the associated difficulty in obtaining dated records, the State of North Carolina's policy is to adopt a 10-year report look back period encompassing the dormancy period for each property. Therefore, this examination covers actual transactional years 1996 through 2010. During the planning of the examination, we took steps to obtain an understanding of procedures in place pertaining to unclaimed property at STC. To determine property types in the custody of the holder with a high risk of being reportable, we interviewed STC personnel and where available, examined written policy and procedure manuals and reviewed Company documents.

**Accessibility of STC Corporate Records**

General ledger detail, a chart of accounts, void checklists, accounts receivable ledgers and bank account reconciliation documents were requested for report years 2001 to 2010. We also requested records relating to open and closed bank accounts and accounts receivable credit balance information. We requested additional records as needed including inventory and billing procedures. Whenever detailed information was unavailable due to record retention policies or where the cost of providing the records would be prohibitive for STC, we requested benchmark information. The details and methodology of benchmarks are described in this report.

**Test Methodology**

Testing methodologies included selection of test data determined by the availability of records and classification of the data information provided by STC personnel. When less than 100 percent of the items within an account were tested, we used both statistical and non-statistical sampling methods. Details of these methods are described within the Overview of Testing Procedures.

**OVERVIEW OF TESTING PROCEDURES****Accounts Payable**

We interviewed STC personnel to gain an understanding of the accounts payable procedures and automated system used by the company. Bank statements, bank account reconciliations, outstanding check reports, void check reports and general ledger account detail were requested for reporting years 2001 to 2010. STC provided accounts payable void check documents for 2004-2010. STC also provided accounts payable bank reconciliation outstanding check lists for 2004-2010. We analyzed and tested the records to determine the existence of unclaimed property.

General ledger cash and accounts payable transaction details were examined for debit (or write-off) items that were not routine. Non-routine items were noted for AP transactions through the General Ledger activity outside the AP system and documentation was requested.

An accounts payable void check report was provided by Company personnel. The population was refined from the general population of \$54.4m to \$621.9k. We provided STC test selections totaling \$46.4k from the refined population and asked the Company personnel to supply detailed documentation explaining why the checks were voided. The documentation provided for voided and reissued checks was examined. Reissued checks were traced to the bank statements to verify the liability has been cleared. We also reviewed documentation to verify explanations for checks voided due to amount/vendor error or payment duplication. All unproven items remain on the schedule and are deemed to be unclaimed property.

The outstanding checklists for all cash accounts from bank reconciliations were examined for stale dated checks. All items deemed unclaimed property were scheduled and provided to STC for the owner tax id, name and address. All unproven items remain on the schedule and are deemed unclaimed property.

Information regarding Smith Trading Company, Inc.'s stale check void policy was provided and confirmed via the examination testing procedures for Accounts Payable issues.

**Accounts Receivable**

STC personnel were interviewed to gain an understanding of the accounts receivable system and procedures for invoicing, debit memos and credit balance resolution. STC provided accounts receivable aging reports and posting detail for 2000-2010. All accounts with outstanding credit balances were scheduled and provided to STC for documentation. All unproven items remain on the schedule and are deemed unclaimed property.

We also examined the general ledger Accounts Receivable, Allowance for Doubtful Accounts, Bad Debt Expense and Miscellaneous Income account detail for items that were not routine for 2004-2010. Items noted were scheduled and provided to STC for further documentation. All unproven items remain on the schedule and are deemed unclaimed property.

Company personnel asked for clarification regarding balances owed to rightful owners located outside the United States. A link to the North Carolina Statutes was provided and the custody issue explained with one of the first communications from CSG to STC via e-mail. Additionally, NC Section 116B-56 was provided to STC by Allen Martin, NC Unclaimed Property Division, to address these specific questions presented to him by CFO Smith via email.

An excerpt of Section 116B-56 follows:

**"§ 116B-56. Rules for taking custody.**

- (a) Except as otherwise provided in this Chapter or by other statute of this State, property that is presumed abandoned, whether located in this or another state, is subject to the custody of this State if:
- (1) The last known address of the apparent owner, as shown on the records of the holder, is in this State;
  - (2) The records of the holder do not reflect the identity of the person entitled to the property, and it is established that the last known address of the person entitled to the property is in this State;
  - (3) The records of the holder do not reflect the last known address of the apparent owner and it is established that:
    - a. The last known address of the person entitled to the property is in this State; or
    - b. The holder is domiciled in this State or is a government or governmental subdivision, agency, or instrumentality of this State and has not previously paid or delivered the property to the state of the last known address of the apparent owner or other person entitled to the property;
  - (4) The last known address of the apparent owner, as shown on the records of the holder, is in a state that does not provide for the escheat or custodial taking of the property, and the holder is domiciled in this State or is a government or governmental subdivision, agency, or instrumentality of this State;
  - (5) The last known address of the apparent owner, as shown on the records of the holder, is in a foreign country, and the holder is domiciled in this State or is a government or governmental subdivision, agency, or instrumentality of this State;  
or
  - (6) The property is a traveler's check or money order purchased in this State or the issuer of the traveler's check or money order has its principal place of business in this State and the issuer's records show that the instrument was purchased in a state that does not provide for the escheat or custodial taking of the property or do not show the state in which the instrument was purchased.

**Payroll**

We interviewed STC personnel to gain an understanding of the payroll system for the company. Bank statements, reconciliations, outstanding check lists, void check lists and general ledger account detail were requested for report years 2001 to 2010. STC provided payroll void check documents for report years 2001-2010. STC also provided payroll outstanding check lists for 2004-2010 and all outside payroll vendor records. We analyzed and tested the records to determine the existence of unclaimed property.

General ledger payroll detail for 2004-2010 was provided. We examined the general ledger payroll cash account detail for debit (or write-off) items that were not routine. No non-routine transactions or unrecorded liabilities were discovered during the examination.

**Inventory**

STC personnel provided Company procedures concerning shipment of inventory. Title and risk of loss transfer to the customer at the destination port. No non-routine transactions or undelivered stock items were discovered.



**FINDINGS AND RECOMMENDATIONS****Property Type 1 - Accounts Payable**

The examination determined that STC did not report and remit accounts payable unclaimed property in accordance with the provisions of the Act. While the Company's accounts payable transaction internal controls were strong, the errors found within the test sample came from vendors that could not be located, with the liability written off. The test selection errors were extrapolated to the refined population. The examination identified \$27,724.10 of accounts payable unclaimed property liability due at this time. In addition, the examination discovered \$34,264.63 future reportable transactions and provided a detailed list to the holder for further due diligence and possible future period reporting. STC personnel acknowledged that their unfamiliarity with the provisions of the Act contributed to the Company's failure to report unclaimed property when due.

**Property Type 2 - Accounts Receivable**

The examination determined that STC did not report and remit accounts receivable unclaimed property in accordance with the provisions of the Act. Company personnel were not aware of the need to remit credit balances owed to foreign entities to their state of incorporation. The examination identified \$198,508.77 of Accounts receivable unclaimed property liability due at this time. In addition, the examination discovered \$19,695.76 future reportable transactions and provided a detailed list to STC personnel for further due diligence and future period reporting. STC personnel acknowledged that their unfamiliarity with the provisions of the Act contributed to the Company's failure to report unclaimed property when due.

**Property Type 3 - Payroll**

Voided and outstanding payroll checks were tested for replacements and proper handling. All general ledger accounts pertaining to payroll activity were reviewed for entries out of line with normal payroll transaction activity.

The examination identified no payroll unclaimed property liability due at this time. In addition, no payroll transactions were identified as future reportable. STC uses an outside payroll service that is familiar with the provisions of the Act, contributing to the Company's compliance for this property type.

**Property Type 4 - Inventory**

STC personnel were interviewed to determine procedures regarding inventory. Contracts were reviewed and invoices inspected for determining the existence of unrecorded liabilities for undelivered shipments paid for by customers. Many customers are located out of the continental U.S. Title and risk of loss transfer to the customer at the destination port. No non-routine transactions or undelivered stock items were discovered.

**Recommendations**

STC must report and remit the unclaimed property liability identified in the examination. STC should remit prior report period unclaimed property of \$226,232.87 directly to CSG for encryption of sensitive records and importation into a file format the State's system can accept.

In addition, we recommend STC implement written policies and procedures to ensure unclaimed property is properly reported annually and remitted as required by law. These procedures should include implementing due diligence procedures in an attempt to return property to the rightful owner before the item becomes dormant. These procedures should include all applicable unclaimed property types. While this examination identified future reportable transactions totaling \$61,134.22 from prior years, more transactions may qualify as Unclaimed Property as new circumstances arise prior to the annual reports due April 30<sup>th</sup> each year. We also recommend creating a separate liability account to transfer these items until researched and either paid to the rightful owner or remitted to the applicable state.

**Resources**

**North Carolina Unclaimed Property Reporting and Remitting** - Reports and remittances are due by November, 2011, for all unclaimed property that reaches its dormancy period during this calendar year (Jul. 1 - Jun 30, 2011).

<http://www.netreasurer.com/DstHome/AdminServices/UnclaimedProperty/Holder+Information>

**North Carolina Unclaimed Property Guide**

<http://www.netreasurer.com/NR/rdonlyres/A047FE05-0A5B-4AD1-961A-EDEC208C0A4/0/UnclaimedPropertyManual.pdf>

**National Association of Unclaimed Property Administrators** - to access UPEXchange (the free holder reporting software) or access via North Carolina website provided above.

<http://www.unclaimed.org/reporting/free-holder-reporting-software/>

**Unclaimed Property Professionals Organization**

<http://www.uppo.org/>

**PAYMENT AND REPORTING INSTRUCTIONS**

The Unclaimed Property liability amount of \$226,232.87 must be remitted to CSG for proper distribution to the State of North Carolina.

If you prefer to remit via **wire transfer**, please use the following information:

Company Name: Compliance Services Group, LLC  
Bank Name: Branch Banking and Trust (BB&T)  
Account Name: CSG Unclaimed Property Trust Account  
Routing Number: XXXXXXXXXX  
Account Number: XXXXXXXXXXXXXX

If you prefer to remit by **check**, please make the check payable to the "Compliance Services Group, LLC **Unclaimed Property Trust Account**" and mail to the following address:

Carol Brown  
Treasurer  
Compliance Services Group, LLC  
PO Box 1903  
Birmingham, AL 35201

If you have any questions or need clarification on this report or payment instructions, please contact Rebecca Adams at 205-616-3964 or [radams@complianceservicesgroup.com](mailto:radams@complianceservicesgroup.com).

**Verification of Remittance  
CSG Remittance**

Please include the following information with your remittance.

Date of Wire Transfer or Check: \_\_\_\_\_

Amount of Wire Transfer or Check: \$226,232.87 \_\_\_\_\_

Name of Examined Entity: Smith Trading Company, Inc. \_\_\_\_\_

EIN: 33-XXXXXXX \_\_\_\_\_

Address: 34907 NE 12<sup>th</sup> Street \_\_\_\_\_

Big Beach City, NC 12345 \_\_\_\_\_

Contact Person(s): Jane Doe/Eddie Doe \_\_\_\_\_

Telephone Number: 123-456-7890 \_\_\_\_\_

**Note to Entity:**

The above information is necessary to ensure credit for compliance with the Act. Please include any additional information or explanation if the amount remitted is different from the examination report.

If wiring the Unclaimed Property funds, please send this form to Carol Brown, Treasurer - [cbrown@complianceservicesgroup.com](mailto:cbrown@complianceservicesgroup.com)

Please see attached Forms ASD 21 and ASD 159 for your review and signature. This ensures proper control and reporting to the State of North Carolina.

North Carolina Department of State Treasurer  
REPORT OF UNCLAIMED PROPERTY



Name of Holder:

Smith Trading Company, Inc.

\* LIFE INSURERS ONLY - Reporting Period January 1, 2011 through December 31, 2011.  
Due May 1, 2012

\* ALL HOLDERS EXCEPT LIFE INSURERS - Reporting Period July 1, 2010 through June 30, 2011. Due November 1, 2011

Holder #: Not Assigned	Federal ID#: 12-3456789	Page(s): 1 of 1
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(1) If Joint Owner, Beneficiary, Trustee, Etc. Specify By Name	(2) Owner(s) Last Name(s)	(3) Owner(s) First Name(s)	(4) Owner(s) Middle Initial(s)	(5) Suffix	(6) Street	(7) City	(8) State	(9) Zip	(10) Owner(s) Social Security Number(s)	(11) Owner(s) Identifier Number(s)	(12) Property Class Code	(13) Date of Last Transaction or Date Property Became Payable. Redemable or Returnable	(14) Statutory Reductions (See Back) Type Amount	(15) Net Amount Remitted
	Jones	John	X	III	1234 Easy Street	Charlotte	NC	12345	123 456789	CK 8967	CK10	2-12-02		5,000.00
	Martin	Allen	Y	St.	567 Main St.	Durham	NC	67890	234 567890	CK 9999	MS 08	4-1-05		11,000.00
	Fowler	Shirley	Z		89 Songbird Tr.	Chapel Hill	NC	56789	345 67890		MS 09	11-13-01		50,000.00
	Bridges	Ruby			2 Sweetshrub	Benson	NC	14110		CK 1111	MS 08	6-10-04		11,724.10
	American Cast Iron				10 Datwin Ave.	Bent Creek	NC			Cust # 14002	MS 09	3-15-03		100,000.00
	Concordia				1 Commercial	Some City	NC			Cust # 19999	MS 09	12-1-06		48,506.77
TOTAL THIS PAGE													\$ 226,232.87	
REPORT TOTAL If this is the last page of report, enter total to be remitted & carry over to ASD-159													\$ 226,232.87	

State of North Carolina  
 Department of State Treasurer  
 Unclaimed Property Program  
 325 North Salisbury Street  
 Raleigh, North Carolina 27603-1385  
 (919) 508-1000  
 www.nccash.com

**Unclaimed Property Verification and Checklist**  
**Life Insurers Only**  
 Reporting Period January 1, 2011 through December 31, 2011 – Due May 1, 2012

**All Holders Except Life Insurers**  
 Reporting Period July 1, 2010 through June 30, 2011 – Due November 1, 2011

**PLEASE TYPE OR USE BLACK INK**

**THIS FORM MUST BE COMPLETED, NOTARIZED & SUBMITTED WITH REMITTANCE**

Holder Name: <i>Smith Trading Company Inc</i>	Holder Identification Number: <i>Not Assigned</i>
Mailing Address: <i>34907 NE 12th St</i>	Federal Identification Number: <i>12-3456789</i>
City: <i>Big Beach City</i>	Date of Incorporation: <i>4-11-59</i> State of Incorporation: <i>NC</i>
State: <i>NC</i>	Telephone Number: <i>(999) 123-45678</i>
Zip: <i>12345</i>	Company E-mail Address: <i>someone@STC.com</i>
	Nature of Business: <i>Pipe &amp; Party Supplies</i> Number of Employees: <i>1450</i>

Every person, corporation, or other business association, banking or financial organization, insurance company, utility, court or public authority, etc. reporting unclaimed property **must complete** this form (ASD-159) and it should be filed with the Annual Report of Unclaimed Property (ASD-21) and/or Report of Unclaimed Securities (ASD-215) and/or Abandoned Tangible Personal Property (ASD-127). This checklist includes, but is not limited to those items that are covered by the North Carolina Escheat and Unclaimed Property Law, North Carolina General Statute 116B.

**CHECKLIST COMPLETION**

Please complete the checklist on the back by checking each item that is being reported. Each item checked must be enumerated in the Report of Unclaimed Property (Form ASD-21)

**LATE FILING INTEREST PENALTY**

In addition to any other penalties, any holder who files after May 1 (Life Insurers) and November 1 (all holders except Life Insurers) shall remit interest at the rate pursuant to North Carolina General Statute 116B-77, currently 5%. The interest penalty is computed as follows: Total amount of property reportable X # of days late/365 X 5% = Interest Penalty

**CERTIFICATION AND VERIFICATION**

As the person authorized to bind this holder, I, being duly sworn, certify the attached report to be true and properly prepared and examined for correctness, ensuring that all property eligible to be remitted is included in this return, and the property reported has been held for the period required by North Carolina General Statute 116B-53. Further, I certify that notices pursuant to North Carolina General Statute 116B-59 were sent to the owners at their last known address. **This notarized certification is an affidavit attesting that the holder has complied with North Carolina General Statute 116B-59.**

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_ State of \_\_\_\_\_ County of \_\_\_\_\_

*Notary Signature*

My Commission expires: \_\_\_\_\_

(Seal)

Name-Print: <i>Johanne Smith</i>
Title: <i>CFO</i>
Signature: _____

Report Total	\$ <i>226,232.87</i>
Interest Penalty	\$
Total Remittance	\$ <i>226,232.87</i>
Total Shares	<i>N/A</i>

**OFFICE USE ONLY**

DISKETTE	CD	LOADED	KEYED	BALANCED	COMMITTED		
STOCK ID	CUSIP		SYMBOL	CERTIFICATE	DTC	DATE	CUSTODIAN